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THE POSITION OF ENGLISH RAILWAYS.

BY W. M. ACWORTH.

FIFTY years ago, not in England only, but throughout the civilized world, the English railway system used to be described as the greatest monument of private enterprise that the world had ever known. Within the lifetime of one generation private enterprise, with no help and not a little hindrance from the State, had, it was pointed out, constructed in Great Britain a network of railways which covered the whole face of the country, and was providing over that network a service of trains admirable both in speed and frequency. It was pointed out, too, how far the railways of the Continent, which, even where they were not directly State-owned, depended largely upon the Government for their existence, lagged behind the private railway companies of England. Now that the fifty years have passed, it looks as though the next chapter to be written in the history of English railways will need to be headed "The Death of Private Enterprise."

All the signs at the present moment point in the same direction. Socialists, State Socialists and semi-Socialists of all sorts and conditions desire to see the State take over the railways. Sometimes the formula is "nationalization of the means of production"; sometimes it runs that "natural monopolies should be in public hands." But, whatever the formula and by whatever process, logical or illogical, arrived at, the result is that a very large number of people have an abstract preference for State, as distinct from private, ownership. Other influences are of a more concrete nature. The railway employees would undoubtedly be found in very large majority on the same side. They think that the State employer would be sure to give them either more wages for the same work or less work for the same wages—or, possibly, even both benefits, less work and more wages,

combined. And they are probably not far wrong in so thinking. The post-office employees are a much smaller and much less influential, because more scattered body of voters, and they have undoubtedly been able to extract from the not wholly disinterested sympathy of Members of Parliament conditions of service markedly superior to those enjoyed by men doing work of a similar standard in private employ. There is yet another important class whose influence will make in the same direction: the railway shareholders and their officials. Given State purchase on fair terms—and State purchase of private property in this country has always hitherto been on terms that have been more than fair to the dispossessed owner—shareholders are bound to welcome it; while, as for the officials, it is only natural that they should offer no objection to a system which would either secure for them an ample pension or else, while preserving their existing salaries, give them a higher status and more influential position as Government servants.

With all these forces making for State purchase, it is difficult to see what forces there are to counterbalance them. A certain number of reflecting citizens would undoubtedly view the proposition with deep distrust. But they are not numerous and are unorganized and therefore uninfluential, and they would hardly be likely to take off their coats for a serious struggle. Undoubtedly the permanent officials of the Civil Service responsible for the finances of the country (whom we speak of collectively as "The Treasury") would oppose strongly any proposal that would at one stroke much more than double the national debt. But, powerful as the Treasury is, it could not in the long run stand out against public opinion and a majority of the House of Commons. So, as I have said, it is probable that the purchase of the English railways by the State will be a live issue in English politics within a very few years; and—as one of the most distinguished professors of Political Economy in the United States said in my hearing a few weeks ago—if that were to happen the echoes of the fall of private ownership would ring through the length and breadth of America.

I have spoken above of the change that half a century has brought. But a comparison between the quite recent history of the railways of the United States and England, respectively, is also not without interest. Fifteen years ago or thereabouts, when

the common stock of many American railroads now far away above par was almost sold by weight, the common, or ordinary, stock of English railways was the favorite investment of very thrifty people of the middle class. The ordinary stock of one of our great lines paying perhaps a dividend of six per cent. stood at a price which only yielded the investor a bare three and one-half per cent. for his money. As for new capital, the railway companies had only to hold out their hands and they could have it for the asking. There was no need to make a public issue. They peddled out their securities on the Stock Exchange, and the British public absorbed without hesitation as many millions of new stock as the railways thought fit to issue. And they issued that stock with a lavish hand. Stations and yards were enlarged all over the country, single lines were doubled and double lines were quadrupled over hundreds of miles. And naturally, for if nobody keeps a tight hand on the purse-strings, who can blame an operating official for desiring that the machine that he controls should have power amply to deal with all emergencies. To work traffic with inadequate rolling-stock on an overcrowded road may be extravagant, but it certainly implies hard and exhausting brain-work; and why exhaust one's brain when the Board of Directors are ready to order all the new rolling-stock asked for and to widen all the lines where congestion is so much as hinted at? And so, year after year, English railway capital went up by leaps and bounds, while no new territory was being developed and no new sources of traffic were being tapped.

The upshot is that English railways find themselves to-day in a position which has been described as "waterlogged" with capital. Dividends have fallen somewhat; the market valuation of the property has fallen far more, certainly not less than thirty per cent.; and companies which ten years ago were spending lavishly hardly dare to-day to attempt to raise money, and feel constrained to postpone even necessary improvements. Gross receipts have increased steadily, though not rapidly, according to American ideas; perhaps at an average rate of two and one-half per cent. per annum. But expenses have risen much faster, and the net income has actually fallen off. Meanwhile, American experience has been strikingly different. Companies that ten years ago were in the hands of a receiver are paying dividends

of six and seven and even ten per cent., and the market value of the railroads of the United States has appreciated by a percentage at least as great as that by which the value of British railroads has depreciated. Of course this is not all due to the virtue or intelligence of American railway men. The abnormal growth of the United States has covered up not a few errors in policy, as well as a good deal of questionable or unquestionable finance. But the main difference, I think, has arisen from the stern lesson of adversity taught to American railways in the year of 1893, and from the way in which American railway officials took those lessons to heart. If an outsider might criticise, I should say that I am startled at the ingratititude which the American public has displayed in return for the marvellous skill and energy with which American railroad men revolutionized the operation of American railways in the years when traffic began to recover after the panic of 1893. New capital being practically unobtainable, they made one dollar do the work of two, and turned out with the old plant an output that would have been inconceivable to the men ten years before.

Regarding the matter from an operating side, the American railways have had enormous difficulties to face, and on the whole have surmounted them. Their colleagues here have not been so successful. They have failed to keep down operating expenses. With a rapid increase in expenses, coupled with a rapid growth of capital, the result to shareholders could hardly be satisfactory. But the railway profession in America has enjoyed one great advantage denied to it in England. The tradition of American business life is publicity; secrecy is the tradition of British business life. The habitual mental attitude of the English railways is that no information should be given to the public, because the public would be sure to use that information for nefarious ends. And information, if it exists, is sure sooner or later to reach the public. For fear of this, the British railway managements have denied themselves necessary information. They do not know today the average rate they charge for carrying a passenger or a ton of goods one mile. They do not know the average load of their trains or the average distance a ton of goods or a passenger is hauled. They possess no comprehensive system of units statistics by which a railroad can be compared with itself year by year or one railroad can be compared with its neighbors. In the

absence of scientific information, scientific criticism and scientific discussion are alike impossible. One railway man cannot learn from the experience of another; the rising generation cannot be taught their profession scientifically, and are forced to rely on their own limited experience and rule-of-thumb methods.

It would not be fair to seem to imply that the present depressed condition of English railways is due merely to the shortcomings of English railway men of the present or of an earlier generation. Undoubtedly British railways have had great difficulties to face. With a revenue increasing but slowly, they have had to meet the demands, constantly more exacting, of the public and of the Legislature. But I am bound to say that the conditions they have had to face have not been as difficult as those that have been faced successfully in America. The British Legislature has interfered to require shorter hours of labor, large expenditure on safety appliances, and in some few cases even lower rates. But the sum total of it all has not been very serious. And I think an American railroad official would breathe a sigh of content if he could exchange the whips of Louisiana or the scorpions of Texas for the gentle parental suasion of the British Parliament. Wages on British railways have gone up and hours of labor have gone down. The same thing has happened in the States. But in the States better organization has enabled one man to do the work of two, with the result that, per ton handled, wages are down, not up. That result has, unfortunately, not been attained in Great Britain. Again, British railways have suffered severely from the competition of tramways; but the competition in America has been fiercer and more ubiquitous than here. American railroads met the competition at the outset with a considered policy. British railroads, with some exceptions, have done nothing but sit still and weep over the loss year after year of suburban passengers by the tens of millions.

And so, as I began by saying, English railways are to-day in a critical situation—a situation from which the only ultimate escape, in my judgment, will be by way of State purchase. But nature does not, as the old proverb says, advance by leaps; certainly not English nature. English opinion has not arrived at State purchase yet; it is only in the preliminary stage. The present talk is all about pools; about arrangements for community of interest. The English attitude of mind in this matter is quite

interesting. The average Englishman is, where his own personal interests are concerned, as strong an individualist as he ever was. He fully believes in competition where his own trade is touched, and he has not learned that the out-and-out competition of the open market is impossible in the special case of railways. On the other hand, he believes in combination in the abstract, and there is in England no such popular dread of pools as still exists in America. Pools have never been prohibited by English law. They have existed since the very beginning of English railways. One of the most famous and far-reaching pools was arranged more than sixty years ago by no less a person than Mr. Gladstone, and in not a few cases pools have been given direct Parliamentary authority. Some ten years ago the two railways which connect London with the Continent by way of Dover, the Southeastern and the London and Chatham, which had already pooled under statutory sanction a large part of their traffic, were united by an Act of Parliament, described as a "Working-Union Act," into one company for all purposes of operation and traffic, though not of capital. And the following year Parliament also sanctioned important amalgamations of railways in Ireland.

Of late years, then, public opinion has tended to magnify the waste of competition rather than to insist on its advantages from the public point of view, and the influence of railway shareholders, who, as I have said, have seen their property rapidly decreasing in value, has naturally been thrown in the same direction. Moreover, at a private conference at the Board of Trade* in the autumn of 1907, which is likely to be famous in English railway history, the President of the Board is understood to have expressed his personal sympathy with the prevailing sentiment.

The English railway managers were naturally not reluctant to set their sails to the favoring breeze. Early in 1908 it was announced that two English trunk lines, the Great Northern and the Great Central, had entered into a perpetual working agreement of the closest kind. They claimed that, under powers conferred by an Act of Parliament passed forty-nine years before, it was competent for them to do so, provided they obtained the consent of the Railway Commission. For that consent they

* The Board of Trade is a department of the Government and might well be called the Ministry of Commerce. Its President is a member of the Government and a Cabinet Minister.

accordingly applied. When, however, the case came before the Commission, the Board of Trade found itself constrained, whatever the private sympathies of the President may have been, to take up a position which, if not of actual hostility, was by no means an attitude of approval. A considerable number of other opponents, rival railway companies, municipalities affected, and others, appeared, the result being that the Commission decided that they had no jurisdiction to sanction the proposed agreement and that the two companies must submit their proposals to Parliament in the usual way. And this the companies announced their intention of doing.

Before their Bill could be introduced into Parliament at the beginning of the present session of 1908-09 events further developed. A third trunk-line company, the Great Eastern, threw in its lot with the Great Northern and Great Central, and the Bill that was deposited provided for the working union of these three companies. In effect, it would have sanctioned the monopoly in the hands of one undertaking of the whole eastern half of England from the Thames to the Humber. About the same time two of the remaining trunk lines, the Northwestern and the Midland—companies whose united capital amounts to over \$1,500,000,000—also announced that they had entered into a close alliance; and subsequently the Lancashire and Yorkshire—a company which, though it only has 500 miles of line, serves a population greater than that of the whole State of New York—is understood to have joined the alliance. These three companies between them control the whole northwest of England almost as completely as the other three companies control the east. The alliance to the west differs, however, from the proposed union on the east in important particulars. Each member of the alliance preserves its separate identity and retains its own sole control of non-competitive traffic. But all competitive traffic is to be the subject of agreement, and the whole of the receipts therefrom are to be pooled and divided between the allies in agreed proportions. Further, the alliance is not, it may be assumed, beyond the ordinary legal powers of the companies concerned, and they do not propose to ask any Parliamentary sanction to their bargain. Simultaneously movements in the direction of closer union have taken place among the railways both of Scotland and of Wales, but these latter need not be more than mentioned here.

The upshot of the position as sketched above is that throughout the greater part of Great Britain railway competition is dead. Theoretically, of course, competition survives between what I may call the east group and the west group to points where the two groups converge, say Manchester and Scotland. But the will to compete is gone, and if two parties refuse to compete it is quite certain that no outside authority can constrain them to do so. Further, unless the prevailing opinion among those interested in railway policy is more than usually wrong, those responsible for the management of the two groups have not yet by any means reached the goal at which they are aiming. The union of the three companies to the east and of the three companies to the west is, we are told, only a preliminary to the union of the whole six in a still more comprehensive agreement. The ultimate aim is alleged to be to unite all the railway companies of Great Britain into one single undertaking. And so it is thought that, on the one hand, the railway shareholders will have a more valuable property and one which will command a higher price when the State comes to buy; and, on the other hand, that the purchase by the State will be facilitated if there was only one venture instead of many to deal with. How far these suggestions and suppositions represent the real aims of the policy of the few men whose influence dominates the situation, it is not for an outsider to say. But no facts that have become public tend to disprove the correctness of the above prognosis.

Be this as it may, it is interesting to revert to the public history of the situation. The three eastern companies, as I have said, deposited in Parliament a Bill to sanction their union, and it very shortly became evident that the same traders who were in the abstract, convinced of the wastefulness of competition and who were quite prepared to see competition abolished over their neighbors' traffic, were by no means so ready to sacrifice the advantages of competition when the traffic was their own. Parliament and the Board of Trade were besieged with objections from all and sundry. With great difficulty the influence of the Board procured for the Bill a second reading in the House of Commons; and when, after a debate which showed pretty distinctly that the Government was not carrying with it the sympathy of its own supporters, the Bill was read a second time and referred to a committee, so many petitions poured in and so many demands

for far-reaching concessions were made upon the companies that they abandoned in despair the attempt to obtain Parliamentary sanction to their proposals and withdrew their Bill. They are continuing, however, it is understood, so far as they can do so within the scope of their legal powers, to work in close union.

To complete the story the Board of Trade have within the last few weeks appointed a committee to advise them on the whole question of amalgamation. To the plain man it is not quite apparent why they have wanted advice. They did not invite it before they committed themselves to a policy which is practically amalgamation. But, on the other hand, if they did not want advice at the earlier stage, why do they want it now when the question of Parliamentary sanction has for the present been decided?

Such, in outline, is the present position in England. Throughout the greater part of the country competition is dead and shows no signs of coming to life again. Yet the whole English railway system has grown up on the basis of competition. Foreign countries have relied for the control of their railways on State regulation. Englishmen have relied for control first and foremost on competition, with only a minimum supplement of State control in matters with which competition could not deal, such as excessive rates and provision for public safety. To work a system of executive control on the Continental pattern the English have neither the experience nor the trained staff. And yet it is impossible to suppose that England will submit to an almost unregulated railway monopoly. The present position cannot be permanent. That England shall adopt a system of State regulation on the French pattern is to me inconceivable. For my own part, and I have been forced to the conclusion with the greatest reluctance—for I cannot but think that it is much against the public interest—I can see but one outlet from the position in which English railways find themselves, and that outlet is State purchase.

W. M. ACWORTH.